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FISCAL IMPACT STATEMENT

LS 7390

BILL NUMBER: SB 585

NOTE PREPARED: May 5, 2013

BILL AMENDED: Apr 10, 2013

SUBJECT: State and Local Administration.

FIRST AUTHOR: Sen. Charbonneau

FIRST SPONSOR: Rep. Soliday

BILL STATUS: Enrolled

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: *Ports of Indiana Feasibility Study:* This bill requires the Joint Study Committee on Transportation and Infrastructure Assessment and Solutions to study the feasibility and economic impact of adding a second port to serve Lake Michigan.

Gary Sanitary District: The bill requires the Department of Local Government Finance (DLGF) to increase the maximum property tax levy of the city of Gary. It provides that the adjustment to the maximum property tax levy of the city of Gary applies to property taxes first due and payable after December 31, 2013. The bill also decreases the maximum property tax levy of the Gary Sanitary District to zero, and provides that beginning with property taxes first due and payable after December 31, 2013, the district may not impose a property tax levy for its general fund.

Gary Airport Authority Board: This bill terminates on September 1, 2013, the term of each existing member serving on the board of the Gary Airport Authority (GAA). The bill requires that each person appointed to the board must have knowledge of and at least five years professional work experience in aviation management at an executive level, regional economic development, or business or finance. It also provides that an appointee to the board may not have, or be affiliated with an entity that has a significant contractual or business relationship with the airport authority. The Governor's appointment to the board is the president of the board.

The bill provides that the board is responsible for contracting with a certified public accountant (CPA) to perform an annual audit of the GAA, subject to approval of the CPA by the State Board of Accounts. It provides that the State Board of Accounts may at any time conduct an audit of any phase of the operations of the GAA. The bill also requires the board to submit an annual report of the board's activities to the Budget

Agency and the Legislative Council.

Trauma Center Study: This bill requires the Northwest Indiana Regional Development Authority (RDA) to study the issues of: (1) whether the statistical profile of injuries annually sustained by the population of Northwestern Indiana justifies the placement of one or more trauma centers in Northwestern Indiana; and (2) the feasibility of developing an academic medical center in Northwestern Indiana.

Study of Government Services for Ports: The bill urges the Legislative Council to assign to an interim study committee the topic of the responsibility of local units for providing governmental services to the Indiana ports.

Lake County Levy Freeze: This bill removes an exception in current law concerning how the assessed value growth quotient is calculated for civil taxing units in Lake County, which is a factor in the calculation of a civil taxing unit's maximum property tax levy.

Airport Authority Loan Repayment: The bill provides that indebtedness of an airport authority under a loan contract: (1) may be paid from an airport authority cumulative building fund; and (2) may not be paid from a general operating fund tax.

Effective Date: Upon Passage; July 1, 2013; September 1, 2013.

Explanation of State Expenditures: *Ports of Indiana Feasibility Study / Study of Government Services for Ports:* If interim study committees were to hold additional meetings to address these topics, there would be additional expenditures for legislator per diem and travel reimbursement for the committee members. Any additional expenditures must be within the committee's budget, which is established by the Legislative Council.

Explanation of State Revenues:

Explanation of Local Expenditures: *Gary Airport Authority Board:* The bill ends the terms of existing members on September 1, 2013. Each appointed member must have at least five years of professional work experience in aviation management at the executive level, regional economic development, and/or business or finance. No appointed member may have a personal interest in an entity that has a significant contractual or business relationship with the airport authority. The Governor's appointment to the board is the president of the board.

The board is to contract with a CPA to provide an annual financial audit and study of internal accounting controls of the airport authority. Concurrently, the State Board of Accounts may at any time conduct an audit of any phase of the operations of the airport authority. The airport authority shall pay for all costs associated with these audits and studies.

The Board must also submit an annual report of its activities for the preceding year to the State Budget Agency and the Legislative Council. This annual report must be submitted not later than four months after the end of the Airport Authority's fiscal year.

Trauma Center Study: The RDA would incur the cost to complete the study. The bill requires the RDA to report its findings to the State Budget Committee and the Health Finance Commission not later than November 1, 2014.

Airport Authority Loan Repayment: This provision would permit airports to use an additional source of revenue to make loan payments. The bill would not increase the taxing authority of airports.

Under current law, airports may borrow money under a loan contract with a repayment term up to 40 years. The airport must repay the loan with revenue derived either from airport operations or from revenue bonds. Currently, property tax revenue may not be used to repay the loan.

Under this provision, for loan contracts entered into after June 30, 2013, airport authorities may also use money in a cumulative building fund to repay the loan. The loan may not be paid by a general operating fund property tax levy.

Explanation of Local Revenues: *Gary Sanitary District:* This bill would increase the maximum permissible levy for the city of Gary by \$4,944,930 beginning in CY 2014. The bill would also eliminate the maximum levy for the Gary Sanitary District. Overall, the combined maximum property tax levy for both units would be reduced by \$3.1 M per year. This bill would not affect debt levies.

Gary Sanitary did not have a general fund levy in 2013 so actual levies could increase by \$4.9 M in 2014 over the 2013 levy if the city chooses to use the additional maximum levy. But, under current law, the sanitary district may increase its levy by up to \$7.6 M. So the potential levy increase is smaller under the bill than under current law.

From 2010 through 2013 (current), the sanitary district's maximum levy has been frozen at \$7.6 M. In the sanitation general fund, the sanitary district levied \$4.9 M in CY 2010, \$3.0 M in CY 2011, and 0 in CY 2012. The district also had a \$2.7 M levy in the sanitary general fund in 2010.

Lake County Levy Freeze: Under current law, civil taxing units in Lake County cannot increase property tax levies for funds that are subject to the maximum levy limitation because the county has not adopted a local option income tax at a 1% rate. Under this bill, beginning with taxes payable in 2014, civil unit levy limits would grow by the statewide levy growth factor.

Assuming that all taxing units would impose their maximum levies, the total levy for all units in Lake County would increase by an estimated \$9.8 M in 2014, \$19.5 M in 2015, and \$30.7 M in 2016, as compared to current law. The county average tax rate per \$100 of AV would increase by an estimated \$0.0471 in 2014, \$0.0921 in 2015, and \$0.1418 in 2016, as compared to current law.

The increased tax rates would cause an increase in circuit breaker credits estimated at \$6.0 M in 2014, \$11.9 M in 2015, and \$18.6 M in 2016. The net gain for all taxing units in Lake County is estimated at \$3.9 M in 2014, \$7.6 M in 2015, and \$12.0 M in 2016. Additionally, TIF revenues would increase by about \$360,000 in 2014, \$720,000 in 2016, and \$1.1 M in 2016.

As civil taxing unit levies rise, district tax rates will increase, resulting in additional circuit breaker credits. These additional credits equate to lost tax revenue for all civil taxing units and school corporations. The table below shows an estimate of the additional levy, additional circuit breaker loss, and net change by taxing unit type. Each school corporation would have a net loss, and most civil taxing units with property tax levies would have net gains.

Change in Levies and Circuit Breakers (In Millions)									
	2014			2015			2016		
Unit Type	Levy Incr	Circ Break Incr.	Net Change*	Levy Incr.	Circ Break Incr.	Net Change*	Levy Incr	Circ Break Incr.	Net Change*
County	2.7	0.9	1.8	5.4	1.7	3.6	8.4	2.7	5.7
Townships	0.5	0.3	0.2	1.0	0.5	0.5	1.6	0.8	0.7
City/Towns	5.3	3.2	2.1	10.4	6.3	4.1	16.4	9.9	6.5
Schools	0.0	0.8	-0.8	0.0	1.6	-1.6	0.0	2.5	-2.5
Libraries	0.7	0.4	0.3	1.4	0.7	0.7	2.2	1.1	1.0
Special	0.7	0.5	0.2	1.3	0.9	0.4	2.1	1.5	0.6
Total*	9.8	6.0	3.9	19.5	11.9	7.6	30.7	18.6	12.0
* Totals may not add due to rounding.									

State Agencies Affected: Department of Local Government Finance; Ports of Indiana Commission; State Board of Accounts.

Local Agencies Affected: City of Gary; Gary Sanitary District; Gary Airport Authority; Northwest Indiana Regional Development Authority; Civil taxing units and school corporations in Lake County.

Information Sources: LSA Parcel-level property tax database; Local Government Database, DLGF.

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